

Citibank Automated Clearing House (ACH) Processing

Citibank is ranked amongst the top US banks in processing Automated Clearing House payments according to NACHA statistics (National Automated Clearing House Association), the ACH Trade Organization. The following summary of certain terms and processes may help you as you participate in this payment channel.

NACHA Rules Available Online As an ACH participant who originates debits and/or credit transactions through the ACH network, your company is considered to be an "Originator." Originators are bound by the rules of the ACH Network and are expected to comply accordingly. NACHA makes the ACH rules available to all participants via the following internet site: <http://www.achrulesonline.org>

To obtain free access, simply enroll by creating a user ID and password by following the steps after selecting "NEW ACCOUNT" and "Basic User." Higher access privileges are available via a Premium Access subscription as part of the purchase of the annual ACH Rules book published by NACHA.

Through this public site owned and managed by NACHA, you can view ACH rules and requirements specific to the types of transactions you will be originating. Various sections provide important information that can help you keep your transactions in compliance with the ACH rules. Section 2.3 speaks to authorization of entries to your customers and other parties who you send transactions to and section 2.5 deals with provisions for specific types of ACH transactions. Consult with your CitiBusiness representative if you are not sure what types of transactions your company is originating.

ACH Returned Items Transactions sent through the ACH can be returned for any permissible reason by the recipient and the receiving financial institution. Citibank will post returned items back to the account they were originated off of upon receipt back from the other party. Details on ACH Returns can be viewed via CitiBusiness® Online through the ACH Processing Menu under option "Return Item Reporting." Full details on the returned ACH items are available.

Notifications of Change (NOC) Items that require correction can also be returned by the receiving financial institution. These are called Notifications of Change. These are sent by the receiver's bank, and your company is obligated to make the changes noted by that institution. NOCs are also viewed via the "Return Item Reporting" option.

Consumer vs. Business Receivers of ACH Transactions Your Company must separate transactions that relate to consumer accounts from those that relate to business accounts. Consumer accounts are in the name of an individual person while business accounts are under the name of a company. Businesses and consumers have different rights under both the NACHA Rules and applicable law with respect to electronic payments. When gathering account information from the other parties, your company should inquire as to the type of account the receiver is using (if this is not apparent or known). Transactions for business and consumer receivers can NOT be co-mingled in the same ACH batch because they would use different ACH transaction types and different rules apply. Consult the NACHA rules if you are unsure what rules apply in your particular situation.

File Specifications ACH files use an industry standard format, often referred to as the NACHA specification. While all ACH payments use a variation of the NACHA specification, the format will differ depending on the types of transactions you are issuing. The rules online will give you access to the sequence of records for all ACH transaction and file types. If you are sending files directly to Citibank, our team will provide you with an ACH File Specification which gives details on specific information in places where input data will vary depending on the bank you are originating through.

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ACH ID on Originated Items and ACH Block/Filter Debits to business accounts could be rejected due to ACH Blocks on the receiver's account. If you are authorized by a business trading partner to debit their business account via ACH, it is a best practice to ask if they are using ACH Block and Filter on the account. If they are, then you may need to provide them with your ACH Sending Identification Number ("ACH ID"), which is part of the information passed through the network when you originate a transaction. The ACH ID is a 10 position alpha-numeric field on the ACH batch header record. ACH IDs are on the file your business sends into Citibank, or may be created for you when using ACH via CitiBusiness Online. Online banking users can obtain their ACH ID on their ACH Batch Reports, or by viewing this information on the files they send to Citi.

Remittances on Incoming ACH Payments In some cases, your trading partners may send ACH Payments to your account with remittance details. Certain ACH transactions can carry additional details in "addenda." This is sometimes referred to as financial Electronic Data Interchange ("EDI"). EDI typically uses a very specific format in the addenda called an "820 Message." Citibank automatically pulls off properly formatted EDI addenda to your account and makes it available through CitiBusiness Online via a Balance and Information Report called the "ACH Addenda" report.

Cut Off Time and File Dates Be sure that you know exactly what the cut off time is for the method that you are using to send your ACH payments. All ACH participants must adhere to strict cut-off times to ensure timely delivery of payments. Additionally, the ACH is a future dated payment mechanism. The transaction date (the "Effective Entry Date"), which will appear in the destination account, must be a date in the future, not the current business day or the day the file or batch was created. You can consult the ACH rules for more detail about Effective Entry Dates.

ACH Routing Number Directory: The Federal Reserve Bank has directories of routing numbers for both ACH and Wire transactions available at <https://www.frbservices.org/EPaymentsDirectory/agreement.html>

Helpful Web Site: Useful information for your business is available at: <http://www.electronicpayments.org>. This site provides useful information about how to properly set up direct deposit and direct payment programs including saving calculators and sample authorization forms.